

Michael Barratt-Brown

**OPENING
THE
BOOKS**

The Institute for Workers' Control

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WORKERS' CONTROL —

Opening the books

Introduction

The demand for opening the books has become a central demand of the movement for Workers' Control. The notes attached to this introduction suggest some of the questions that workers' control groups would want to find answers to as they began in fact to open the management's books. Every governing class in history has tried to clothe the business of government in mystery, and the clerks who carried on the actual business have always resorted to magic words and signs to blind the ignorant. It is not for nothing that the most representative organisation of British business-men and financiers is the secret society of Freemasons. There are indeed some real secrets in business — the technical know-how and experience of firms (not of course patents, which by their very name imply that they are open but protected by law from theft). Most of the secrets, however, have nothing to do with competition but everything to do with confusing the uninformed worker. They are useful not only for concealing profits but also for concealing managerial efficiency. This should not be taken to imply that secrets relating to competition are permissible. Secrecy about plans for a new product may lead to wasteful investment elsewhere.

In fact a great deal of information is now available in the annual company accounts of firms with a quotation on the Stock Exchange. Private companies are still permitted to conceal most of their accounts. Many firms make the Company Accounts available to their employees and summaries of the accounts of all quoted firms are available from Moodies Services and the Stock Exchange Yearbook (see References at end of notes). The first necessity for groups of workers who wish to master the secrets of their firms is to learn to master the intricacies of Company Accounts. The Labour Research Department's little handbook on *How to Read a Balance Sheet* provides a good introduction and other books that go into greater detail will be found in the Reference at the end of the Notes. The Labour Research Department to which many Trades Councils and Unions are affiliated will also look up on request what other information is available in Bush House where the company registers are kept. In this way workers' control groups can find details of shareholdings in their company.

It must be made clear that "Opening the Books" is not just a matter of reading hitherto concealed facts and figures. It is a starting point, but no more than a starting point, to *evaluating* and *interpreting* a complex situation in order to work out and fight for a policy of advance towards democratic control of industry. Even when the books are opened they will not be opened wide, a good many facts will be held back and there will also be facts that are needed but not known. It would be wrong to hold back the shaping of policies and aims awaiting fuller facts. On the contrary policies based on the best available facts should be used to focus attention on the need for better information. The charge of authority against critics who have not access to the facts must be turned into a boomerang. Industrial democracy, workers' control over measures to raise productivity, improved conditions etc., imply a generally available, first-rate information system.

After the Accounts and other published information of the Company have been mastered, three quite different types of questions will require answers;

- (a) Questions about the true financial position of the company that may be concealed by the accounts;
- (b) Questions about the techniques of management used by company's and the result of these techniques in company structure;
- (c) Questions about the social costs and benefits of the company's activities.

The questions listed in the Notes are organised under six headings —

- A The Product and Productive Processes
- B Organisation and Management
- C Sales and Marketing
- D Finance and Pricing
- E Employment Policy
- F Contribution to the Community

Inevitably, however, certain questions come under several headings and there are managerial, financial and social questions to ask under each heading. A word is perhaps required here about each of these types of questions.

Managerial techniques are becoming increasingly sophisticated and University and Technical College courses are now devoted to them. An excellent introduction is the B.B.C. Publication *Fothergale Co. Ltd.*, (see References at end). Some of these techniques will seem pretty complicated at first sight and Workers' Control Groups

will need to take advantage of Day Release Courses and Technical College courses if they are to master them.

Technical Colleges etc., have many excellent people teaching management science—and some not so excellent—but the content of what is taught nonetheless needs to be looked at critically. Management science did not grow up with industrial democracy in mind. As the requirements of workers' control groups develop new approaches and new types of classes will have to be introduced into the teaching of management. From this in turn it follows that a great deal more public funds will need to be spent on research into management techniques, use of computers, economic evaluation etc., by people who see things from the point of view of industrial democracy, working on problems raised by people who are trying to introduce new forms of industrial democracy. Groups need to be aware in their thinking and style of work from the outset that they must fight for research and educational backing of a new type to help and support their work and to be controlled by people who see the problems in the way that those who are trying to apply industrial democracy in practice see them.

There is no possibility nor need for members of control groups to master all the intricacies of modern management techniques. On the other hand these must not be left as mysteries on which the expert even in the groups says the last word "take it or leave it". Different people in the group, according to interest and experience, can specialise on particular aspects of economics and management which they will come to understand better than others in the team. In this way it should be possible for all members of the team to understand the main issues and principles underlying particular problems. The future of good organisation lies with team-work as against hierarchical authority. (Policy shaping by teams does not conflict with assigning individual executive responsibility. Control teams could well be the embryo of new administrative structures.)

Most of the techniques of management are in fact fairly simple but they tend to be described for brevity's sake in the mathematical and statistical shorthand terms that economists use. Financial and Pricing Policy is of course a part of management technique but it has important connections with government policy and other wider economic considerations. It should be made clear here that industry, in Britain at least, is exceedingly backward in its techniques of investment decision making. To take an example, if workers do not understand what "discounted cash flow" means, they can reassure themselves by realising that most managements do not understand this either. Very briefly it is a way of measuring the profitability of different investment projects. The measurement is made by calculating the present value of a sum to be received in the future, taking into account the number of years and the compound rate of interest.

Questions about Social Costs and benefits are mentioned under many different headings. These are the costs and benefits to society which are not taken into consideration in the firm's accounts. An important question in Cost-Benefit analysis is who pays the cost and who benefits. This is already being studied in relation to government taxes and expenditures, but the application of such analysis to company policies has hardly been developed at all. This is because the assumption of a free market economy is that the choice of the consumer in the market combined with the price mechanism in the market will allocate resources in the best possible way for society. When firms can fix prices and use advertising to persuade consumers to buy what they produce, the assumptions of the free market have to be questioned. They have always been open to question on another ground, that the free market economy may leave resources of manpower and equipment unemployed and thus fail to assure the optimum resource allocation.

It will be clear from the emphasis on the social implications of Company policy that something wider is being proposed here than an improved bargain between workers and management in industry. What is being proposed is the establishment of Workers' Control Groups that would act as social audit groups for their particular factories. The reasoning behind such a proposal is that without bringing in such wider social questions workers' control groups attempting to extend their power will very soon come up against the rigid framework of existing social and economic policies within which firms operate. The corollary of an extension of workers' control into social audit is that individual workers' control groups will need both a centre for exchanging information and a wider political arm for challenging the existing framework. A chain of workers' control groups in many different firms and industries throughout the Country could begin to afford to finance a Research and Information Exchange Centre. From this it would be a natural extension to set up National Social Audit Groups, consisting of engineers, scientists, accountants and workers' representatives which could bring pressure to bear on Parliament and Government. One of the most natural demands would be an extension of the powers of the Select Committee on Nationalised Industries and the establishment of a Select Committee on Private Industry to report on the use of public funds (now running at something over £1,000 millions a year) in grants and loans to private industry. An obvious example is the crying need for a national audit to examine the costing assumptions of the Government's Fuel Policy and a social audit unit to examine the implications of pit closures for the economy of whole areas which are now dependent on the coal industry for employment.

The questions that follow under headings (A) to (F) should be regarded as a "check list", that is a list that organisers of a group

would work through to select particular issues around which to start work. The scope of these questions is very large and a very limited selection must be taken as a starting point. There will be many questions not included in this list. Each group's work will be a "criticism in practice" of the list out of which suggestions and new experience will flow which can be made available to other groups.

Michael Barratt-Brown
Sheffield, March 1968

A PRODUCTION

1. *The Product or Product Mix* —

- a) What is it for? What priority for society as a whole? Who is it for? What priority for individuals?
- b) Could it be made better for its purpose, safer, cheaper? Would it be worth making better, cheaper, safer — from individual or social view point.
Test by estimated social costs as well as market price.
- c) Has the Consumer Association tested it? Or were other independent performance tests made? What was the firm's response to the tests if unfavourable?
- d) Is there much waste in production? What use is made of by-products? Would it be worth reducing waste? — once again test by private and social cost.
- e) Is demand likely to continue for product as incomes rise, tastes change, technology changes?
Could a cheaper model widen the market?
- f) What alternative lines are being researched, developed for the future — once again what for and who for?

2. *Research and Development* —

- a) What is the firm's policy?
- b) How much spent — on pure research
— as % of turnover
— on different types
of research, including packaging.
- c) What use of other research facilities, contacts with other firms? On what terms are these shared?
- d) How do they compare with similar firms?
- e) Query delays or failure to adopt new ideas — reasons?
- f) Does firm rely on foreign company patents or know-how?

3. *Machinery used in Production* — distinguish the different processes.

- a) Is it the best for the job in each process? Would it

be worth improving it? — social and private cost of doing so or not doing so.

- d) Is it bought on open tender, from associated company,
- c) Is it safe?
- d) It is bought on open tender, from associated company, 'friends' or hired?
- e) Is it well arranged for transfer between machines?
- f) Would transfer machines be worth using?
- g) Is method study used? If so by whom and for what purpose?
- h) How much sub-contracting? On what terms?

Transport and Transfer — distinguish departments, plants, firms.

- a) How much unnecessary travelling?
- b) Is any of the system unsafe or wasteful?
- c) Would a new lay out be worthwhile? How test production flow? Is critical path analysis used?
- d) Is the equipment adequate — locos, cranes, belts, fork lifts, trolleys etc.
- e) Are internal roads and rails properly kept, designed, safe?
- f) Are social costs considered in use of road or rail or other transport?
- g) What determined location of plants — note social and private costs.

Purchasing and Stocks — distinguish departments and plants

- a) Are stocks adequate, too large — note individual and social cost of holding inadequate or excessive stocks.
- b) How are materials purchased — from own organisation, wholesalers, bulk orders?
- c) What programming system is used?
- d) Are stocks well placed, controlled, recorded. (See Finance).
- e) Is there much Work in Progress — as % of Turnover?
- f) Is there long delay waiting for parts?
- g) Could co-operation be developed with other firms?
- h) Is liaison between departments good?

Quality Control —

- a) What system of sampling and testing at different stages? Would it be worth improving?
- b) How is batch size determined?

- c) Are there too many models, varieties? Would standardisation make the consumer suffer?
- d) Is quality regularly altered rather than price?

ORGANISATION AND MANAGEMENT

1. *Directors and Leading Executives*
 - a) Who are they? How many from founding family, from outside banking and finance, from inside management? How many relatives? How many full-time, part-time?
 - b) What are their qualifications? How many Scientists, Technologists? What other directorships?
 - c) What are they paid? What other emoluments do they receive — car, chauffeur, petrol allowance, private secretary, subsidised meals, free life insurance, insurance for private medical treatment, pension provision, covenants for private schooling of children, subsidised housing, bonus payments, any other extras?
 - d) Are they connected with any political party or industrial pressure group? Active in employers' associations.
 - e) What is the dismissal procedure for them? How much notice? 'Golden hand shake'?
2. *Management Structure* — distinguish staff and line command
 - a) How are top decisions made, co-ordinated?
 - b) What is the span of responsibility?
 - c) How much real delegation — firm, plant, department?
 - d) How much long-term planning?
 - e) Is a computer used?
3. *Proportions of Manpower in different sectors:*
 - a) Staff: R. & D., design and testing, finance and accounts, sales and publicity.
 - b) Line: Lower management and supervisors.
 - c) Production processes including packing.
 - d) Maintenance and Repair.
 - e) Transport
Are any excessive? How could you test this?
4. *Consultation* — i.e. Ideas going upwards as well as downwards.
 - a) What provision for Workers' Council, Workers' Representation at different levels?
 - b) How are these men chosen? Elected? Nominated?

- c) What proportion of workers' representation to management?
 - d) What power do Councils have?
Who takes the chair? Are minutes kept?
 - e) What specialist committees on production, maintenance, safety, training, etc.?
 - f) What provision for shop stewards meeting time and space at company expense?
 - g) Is management based on hierarchy of orders or process of committee consultation at all levels? Can you compare with other firms?
5. *Records and Statistics* — by firm, Plant, Department
- a) What system? Who's responsible? At each level? Is a computer in use?
 - b) What check on decisions made at each level?
 - c) How much collaboration with government — Board of Trade, Ministry of Labour?
 - d) Are returns, honest, accurate?
 - e) Are records flexible i.e. usable for other purposes than those for which collected.
6. *Use of Computers*
- a) For what purposes are computers used?
 - 1. In production control?
 - 2. To replace clerical work?
 - 3. For technical and scientific calculations?
 - 4. For accountancy?
 - 5. What other uses are made of the computer?
 - b) Is there an integrated management information system? Or plans to introduce one? Is there a data-banking system to hold available information on production? To whom is information available?
 - c) How is data collected and put in computer-reading form?
 - d) Does your organisation own its own computer? Will it use the G.P.O. computer utility? Should it have a policy in relation to the G.P.O. utility?
 - e) Are computer codes used for transmitting information outside of the firm?
 - f) Have effects of introducing computers been good or bad for employees? What form do consultations about the effects of introducing computers take? About the purposes for which computers should be used? About production policy in relation to computers?

7. *Recruitment and Training*
 - a) **Management** — family, internal, ladder external advertising.
 - b) **Training** at all levels — internal or external (and see E.7 below).
 - c) **Promotion systems** and other incentives.
 - d) **Opportunities** to cross 'class' barriers?
 - e) **What manpower budgeting** is made?
8. *Sub-Contracting* — firm's policy
 - a) **How much?**
 - b) **On what basis?**
 - c) **How controlled?**
 - d) **Attitude of sub-contractors to Trade Unions?**
 - e) **What tests to apply for using sub-contractors?**
9. *Stock Control* — see above A5
10. *Capacity Working* —
 - a) **Who decides on capacity? How is the decision reached?**
 - b) **What control on unit costs** (See below D.6.)

C **SALES AND MARKETING** (See Also D.7)

1. **Company Policy concerning growth** — Sales record over the last decade by shares.
 - a) **Home market sales**
 - b) **Exports**
 - c) **Overseas subsidiaries sales. How are markets estimated?**
2. **Method of sales** — wholesalers, agents, retailers, own outlets.

— how to improve?
3. **Margins added to ex-factory price. Could they be reduced?**
4. **Cost of packaging and advertising relative to production.**

— Could they be reduced? How tested?
5. **Relations between sales and production departments**

— re quality control, new models, servicing.
6. **Possibility of bulk orders for long runs in home market or export market** — co-operation with government.
7. **Differential pricing and discounts for special customers.**

— How controlled? How tested?

D **FINANCE**

1. **Description of Company** — Private, Public, Holding,

Subsidiary.

2. Sources of Finance — **Equity or Family**
 - Preference Capital
 - Loans
 - Mortgages
 - Bank Overdrafts
 - In what proportion? What is cost of total finance per cent?
 - Could it be reduced? How compare with other firms?
3. Profits — record over past decade — profit per employee, profit per sales turnover
 - if a private company is balance sheet published?
 - if not, why not?
4. Dividend Payments and Reserves
 - What is company policy — on dividends, capital capital issues?
5. Major Financial Decisions.
 - Who makes them? — External or internal directors?
 - How do schemes get considered?
 - Who has initiative?
6. Criteria for Investment Decisions
 - a) How is plant depreciated?
How are assets valued?
 - b) Is old plant considered in relation to new schemes?
 - c) What system for evaluating return to capital? — pay-out period, Book rate, Average Ratio, Discounted Cash Flow?
 - d) On what rate of return are schemes acceptable?
 - e) What are outside considerations?
 - family, other shareholders, institutions, take-over threats.
7. Pricing Policy —
 - a) cartel membership
 - b) gentlemen's agreements
 - c) 'price leadership'
 - d) 'cost plus'
 - e) price competition — of what sort?
8. Cost Calculation — How made to include:
 - a) sharing of overheads
 - b) cross subsidising between departments

- c) allowance for by-products
 - d) capital replacement
 - e) stock
 - f) social costs
 - g) government allowances
 - Is marginal costing used and how is forecasting done?
9. Assets — How are these valued? How often reviewed?
 — Any evidence of undervaluing?

E EMPLOYMENT POLICY

1. Structure of Earnings (and fringe benefits)
 - managerial
 - other technical and administrative
 - clerical — male and female
 - supervisory — male and female
 - manual — male and female — skilled
 - unskilled
 - semi-skilled
 - What is policy regarding structure?
 - What is the dispersion of earnings? Too great?
How reduce?
 - What anomalies? How test?
 - Are earnings at any level linked to profitability?
If so what criteria?
2. Wage and Salary Negotiation.
 - How is this done by different Unions?
 - a) national — on what criteria — productivity, cost of living
 - b) local — piece rates — how set? Measured Day Work, What Norms? Output bonuses— department or plant
 - c) personal — which workers not organised? Why?
— How to achieve greater unity among workers — wage and salary?
3. Hiring and Firing
 - a) What consultation if any? How to improve?
 - b) What notice? What safeguards?
 - c) Closed Shop?
 - d) What joint examination of wage and salary earners at redundancy and in reorganisation?
 - e) What transfer schemes to other parts of organisation?
 - f) How to improve position of workers?
 - g) Any queries about redundancy payments?

4. **Manning of Machines**
 - a) **Who decides on manning?**
Manual and Staff?
 - b) **What consultation — how far in advance?**
 - c) **How improve workers' control?**
5. **Hours and Holidays — Distinguished different grades and departments.**
 - a) **What hours averaged in fact?**
What holidays?
 - b) **How much overtime? Could it be reduced without loss of earnings?**
 - c) **What shifts? How inconvenient?**
 - d) **Work sharing in short-time. How possible?**
6. **Health and Safety**
 - a) **What records are kept?**
 - b) **Is there a factory doctor?**
 - c) **Joint Safety Committees?**
Workmens inspectors?
 - d) **What check up system?**
 - e) **What sports and social facilities?**
 - f) **How improve? How compare with other firms?**
 - g) **Company attitude to time off for sport, conferences. political work etc.?**
7. **Education and Training —**
 - a) **What schemes for new entrants including apprentices?**
 - b) **How much release? How much general education?**
 - c) **What schemes for retraining?**
inside firm, in local colleges.
 - d) **What shop steward training and general adult education on release?**
 - e) **What contribution to Training Fund? How much drawn from it?**
8. **Redundancy and Superannuation —**
 - a) **What schemes apart from Redundancy Fund?**
 - b) **How improve schemes?**
 - c) **What control over redundancy by Unions?**
 - d) **What policy for employing older men, disabled men on lighter work?**

F CONTRIBUTION TO THE COMMUNITY

1. **National Government — Taxes, general co-operation with government policies.**

The Bulletin of the Institute for Workers' Control

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is

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by

Tony Topham

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